

Geo. A. Hormel & Company Today

Geo. A. Hormel & Company is a federally-inspected food processor which slaughters livestock for processing into meat and meat products which are sold at the wholesale trade level.

The principal products of the Company are meat and meat products - boneless hams, sausage items, sliced bacon and luncheon meats - which are sold fresh, frozen, cured, smoked, cooked or canned.

Hormel operates 16 plants for slaughtering and/or processing and has 13 distribution plants located along the West Coast, South Atlantic Coast, Gulf Coast and Hawaii. Hormel operates in international areas, including Australia, the Philippines and Okinawa, primarily through Lloyd's Industries, a wholly-owned subsidiary of a domestic corporation of which Hormel has a controlling interest.

The Company's products are sold in all 50 states by salesmen operating in assigned territories coordinated from district sales offices located in most of the larger United States cities, and by brokers who handle carload lot sales.

Hormel employs over 8,500 people and has approximately 4,500 stockholders.





THE EXECUTIVE COMMITTEE

Pictured (left to right, seated) are Raymond J. Asp, I. J. Holton, Lee D. Housewright, Jr., Richard L. Knowlton and E. C. Alsaker. Standing (left to right) are Robert F. Potach and Robert M. Gill.

A Report to Shareholders

"Although the Company's results during this past fiscal year were not as favorable as 1974, they were gratifying. . .Dollar sales are likely to increase in 1976, but we shall be hard pressed to equal the earnings of the year just concluded."

In the 1974 Annual Report, it was reported that Geo. A. Hormel & Company had experienced an excellent year.

Although the Company's results during this past fiscal year were not as favorable, they were gratifying, considering the unusual events which affected our industry.

The anticipated rapid decline in the supply of hogs materialized, causing the Company to operate plants considerably below optimum levels. Soaring prices for livestock, both hogs and cattle, and rapid escalation in almost all other costs presented management with a somewhat different combination of problems.

Although net sales increased, largely through inflationary pressures, earnings for the 12 months declined considerably from the record results of the preceding year.

The past year was not without its achievements, however. Consumer demand continued to grow in nearly every category in which the Company competes. We are particularly pleased with the continuing growth of our dry sausage business. The substantial capital improvement and expansion program of recent years has increased levels of efficiency and productivity at Company plants.

Quarterly dividends paid to holders of common shares were increased by 9.5% in 1975, and totaled 92 cents per share for the year.

During 1975, several executive appointments were made which reflect our Company's development of a management team able to insure the efficient direction of our programs for future growth.

E. C. Alsaker, treasurer, and Robert F. Potach, controller, were both elected to the additional office of vice-president of the Company. Alsaker has been a Hormel director since November, 1969. Potach has been a Hormel director since October, 1970.

John R. Furman was elected a vice-president at the May 27 meeting of the Hormel Board of Directors. He is responsible for the Dry Sausage Division which is a part of the Company's Meat Products Group.

Richard L. Knowlton was elected a group vice-president June 24. He has supervisory responsibilities for the Company's Beef, Pork and Refineries Divisions and operations of the Company's seven slaughtering plants.

The Executive Committee of the Board of Directors was expanded to include Robert M. Gill, Robert F. Potach and Richard L. Knowlton. A picture of the entire committee is included in this Report.

James C. Hormel, a grandson of the founder of the Company, resigned as a member of the Board of Directors of the Company at the June 24 meeting. All of us - stockholders and employees alike - join in expressing our appreciation for his many years of service as a Hormel director.

During the coming year, cattle supplies are expected to be generally adequate, with shortages only in the fed cattle category.

We are approaching the bottom of the current hog cycle. Although the excellent feed grain crop will result in the production of more hogs, the increased numbers will not be ready for market prior to the concluding weeks of our 1976 year. Current forecasting for 1976 indicates an approximate one per cent decrease in the total supply for the year. This means there will be fewer hogs available to the industry than have been available during any of the past ten years.

Dollar sales are likely to increase in 1976, but we shall be hard pressed to equal the earnings of the year which has just been concluded.

J. G. Hormel

President

With extremely short hog supplies and record high live hog prices prevalent for most of 1975, the past fiscal year was one which tested the strength of your Company.

For many years, Hormel has emphasized the processing of meat items into high-quality brand name products, and with good results. Because brand name and processed products are more readily produced from pork than beef, Hormel ordinarily processes larger volumes of hogs than cattle. The sharp reduction in hog numbers made it necessary for most, but not all, of the Company's plants to be operated sharply below optimum levels.

Despite significant price increases, the demand for processed pork products continued strong in 1975. The continuing strong demand for Hormel processed products, and the cooperation of the Company's skilled and experienced work force, contributed to earnings which are the third highest in history.

Dollar Sales Increase

Record sales for 1975, after returns and allowances, were \$995,593,000, an increase of \$52,430,000 over the prior year. The increase was attributable in large part to higher prices. Sales tonnage declined moderately, principally because of the reduction in availability of fresh pork.

Net Earnings

Earnings for the year were \$13,366,000, compared to \$17,369,000 in fiscal 1974. This amounted to \$2.78 per share of common stock, compared to \$3.62 per share in 1974. Earnings amounted to 1.3 cents per dollar of sales in 1975.

A Business Review

1975 was a good year for Hormel. Worldwide dollar sales were at an all-time high. Net earnings, although lower than the record-high level of 1974, were the third highest in the Company's history.

During the fourth quarter of fiscal 1975, the Company changed from the first-in, first-out method and adopted the last-in, first-out method of inventory valuation for packages, supplies and the labor and overhead portions of products. This change was made to recognize the impact of inflation on these inventories and thereby more effectively match current costs with current revenues for both financial and income tax reporting purposes. The effect of the change was to reduce inventories by approximately \$1,422,000, and net income by approximately \$710,000.

The approximate effect of this accounting change for each quarter of fiscal 1975 was to reduce income as follows:

	Net Income	
	Total	Per Share
First Quarter	\$231,000	(\$.05)
Second Quarter	254,000	(.05)
Third Quarter	-O-	-O-
Fourth Quarter	225,000	(.05)
	<hr/>	<hr/>
	\$710,000	(\$.15)

Eligible Hormel Company employees shared in Joint Earnings (profit sharing) for the 37th consecutive year, receiving \$3,097,000 in 1975. A total of \$51,559,000 has been allocated to employees since the beginning of the Joint Earnings Program.

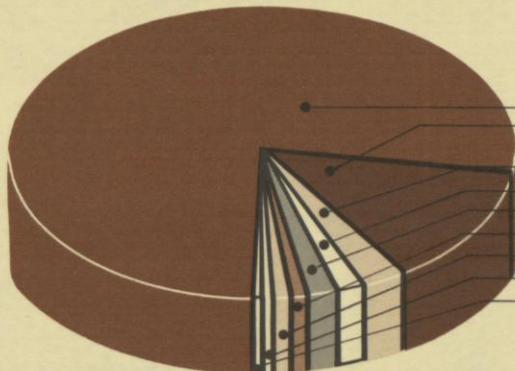
Capital Expenditures

A record \$20,630,000 was spent for additions to property, plant and equipment in 1975. Over \$85 million has been spent on capital investments during the past six years.

Major projects to be completed include the Company's new hog dressing and processing plant in Ottumwa, Iowa, and a dry sausage manufacturing plant in Knoxville, Iowa.

Depreciation for the fiscal year 1975 was \$9,140,000, an increase over last year of \$1,473,000.

Distribution of Sales Dollar 1975



Cents — Sales Dollars	
Cost of Livestock, Supplies, etc.	72.06¢
Wages and Salaries ...	13.71¢
Manufacturing, Selling and Other Expenses.	4.35¢
Transportation Costs ...	2.94¢
Employee Benefits	3.05¢
All Taxes	1.32¢
Net Earnings	1.34¢
Depreciation92¢
Interest Cost31¢
Total	100.00

Dividends Increased

Cash dividends on common stock were increased in February, 1975, from 84 cents to 92 cents a share. Dividends paid and accrued during the fiscal year were \$4,419,000.

Geo. A. Hormel & Company has increased its dividends in each of the last seven years and has paid dividends for 47 consecutive years.

Pension Trusts

The provision for current and past services under the Employee Pension Trusts for the year amounted to \$10,512,000. Past service costs are amortized over a period of 30 years from the date of inception or date of amendment of the plans.

Stockholders' Investment

Stockholders' investment on October 25, 1975, amounted to \$126,879,000. The book value of common stock outstanding was \$26.42 per share.

Long-Term Notes

In October, 1974, a Revolving Credit Agreement was executed by the Company with three of its large banks. This Agreement was cancelled during the past year upon the public sale of \$25 million in nine per cent notes, due June 15, 1985. These notes were given an "A" rating by major rating agencies.

Although financial markets have settled down, there is still concern about the effect of financing the massive federal deficit and its effect on interest rates. While relatively secure in the belief that funds will always be available to a company with our credit standing, your Company agrees with the advisability of financing long-term assets with long-term debt. Recognizing that the extensive capital expenditures of the Hormel Company within recent years are expected to continue for some time, your management felt it prudent to sell the 10-year notes.

Employee/Labor Relations

The fiscal year just ended was another period of good relationships between Hormel and the various unions representing its employees. Equitable wages and comprehensive benefits have helped the Company attract and keep talented people. The Company continues to maintain its reputation as a highly-desirable employer at each of its locations.

Hormel continues its policy of providing equal opportunity to all employees without regard to race, religion, sex, color or national origin.

Hog/Cattle Outlook

Hog supplies in 1976 are expected to be about one per cent less than 1975. A slight upturn is anticipated for the fourth quarter of the Company's fiscal year, although supplies will continue at the lowest level in 10 years.

Cattle should continue to be available at satisfactory levels during 1976. Projections show that cattle will continue to be marketed at lighter weights, following a trend that has been in existence for the past six months.

Satisfactory feed grain supplies are expected to provide the incentive for increased production of hogs and a return to somewhat heavier fed cattle during the last half of 1976 and into early 1977.

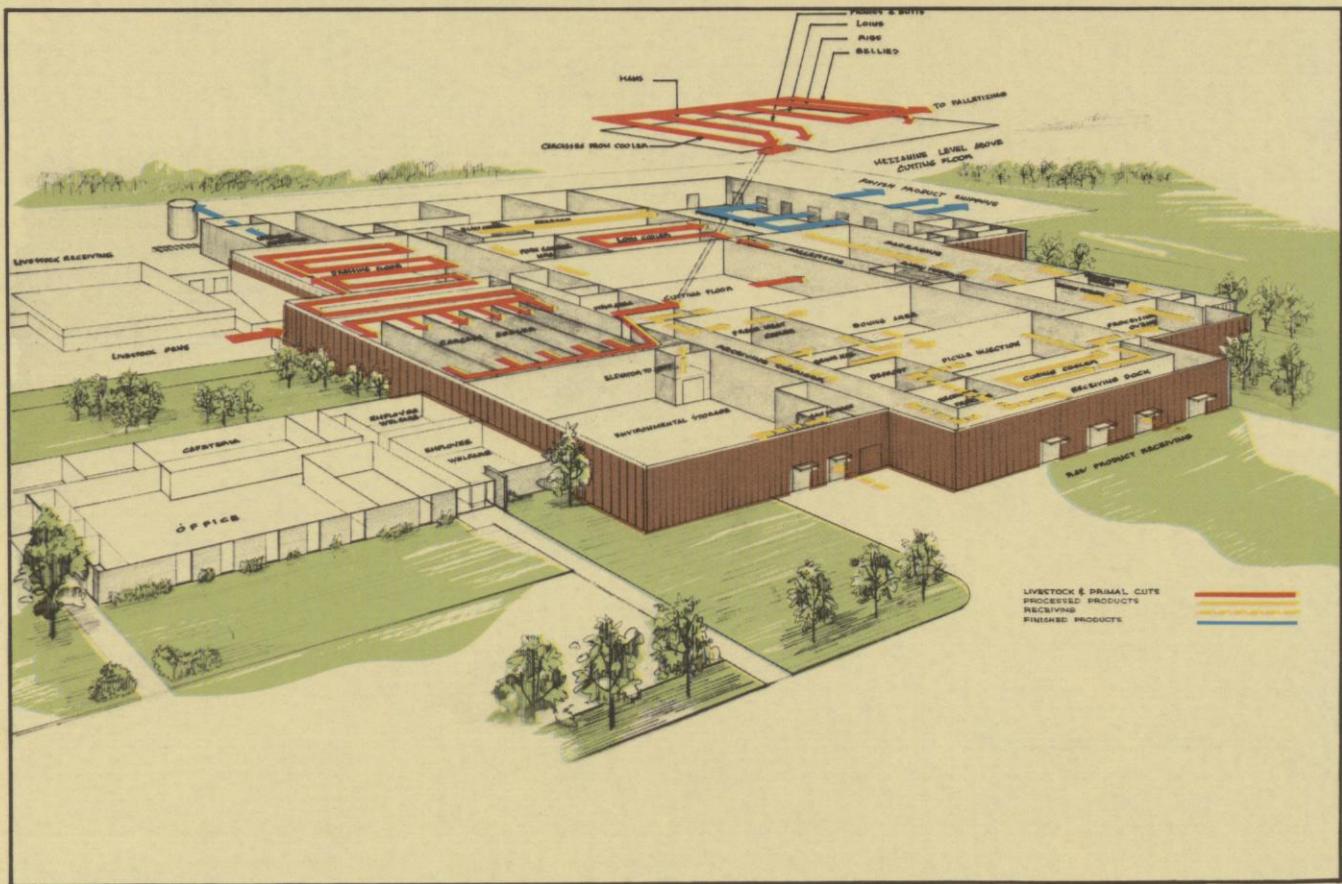
Preparing for Tomorrow's Growth

Capital investments totaled \$20,000,000 in 1975, enabling Hormel to become more competitive, to increase its market share and to prepare for future growth.

Domestic capital expenditures of \$20,000,000, the largest for any single year in the Company's history, were undertaken in fiscal 1975. By year's end, new plant facilities were completed or under construction at several locations and substantial expansions were underway at other existing plant locations.

Ottumwa, Iowa

Slaughtering and production operations at the 345,000 square foot Ottumwa, Iowa, plant are expected to begin by late summer.



A "roof-off" perspective of the Ottumwa, Iowa, plant, now nearing completion.



An aerial view of the 345,000 square foot Ottumwa, Iowa, plant.

Construction has progressed on schedule. All exterior walls and overhead structural work has been completed. Finishing of interior offices and departments and installation of production equipment has started.

When operative, the Ottumwa facility will have the capacity to slaughter and process 800,000 hogs annually. Cure/81 Hams and other smoked hams and smoked pork loins will be processed. Bacon slicing and packaging lines will also be installed, and fresh sausage products produced.

Houston, Texas, Plant

Construction was completed in late fall on the 90,000 square foot distribution plant in Houston, Texas. Processing and packaging operations have begun for a variety of Hormel smoked sausage products, including smoked sausage no-link, cooked salami, bologna and wieners.

These and other Hormel manufactured products are distributed to retail and wholesale accounts in the Houston metropolitan area. Products produced in Houston are also shipped to Company distribution plants in San Antonio and Dallas, Texas, and Shreveport and New Orleans, La., significantly enhancing the Company's penetration into the growing Southwestern market.



The 90,000 square foot Houston, Texas, distribution plant.

Improve Productivity

Also in 1975, Hormel continued its long-range program to improve productivity and increase profitability.

The pork dressing department at the Fort Dodge, Iowa, plant was extensively renovated and a 4,000 square foot addition constructed.

The smoked meats manufacturing facilities at the Fremont, Neb., plant were likewise modernized. New processing ovens were installed, new coolers added and manufacturing and packaging areas improved. Cure/81 Hams and Curemaster Hams, smoked pork loins and bacon, are manufactured in this renovated area and in the 17,500 square foot addition which was constructed in 1974.



An exterior view of the renovated pork dressing department at the Fort Dodge, Iowa, plant.



New manufacturing line in Fremont, Neb.



New processing ovens were installed at the Fremont plant.

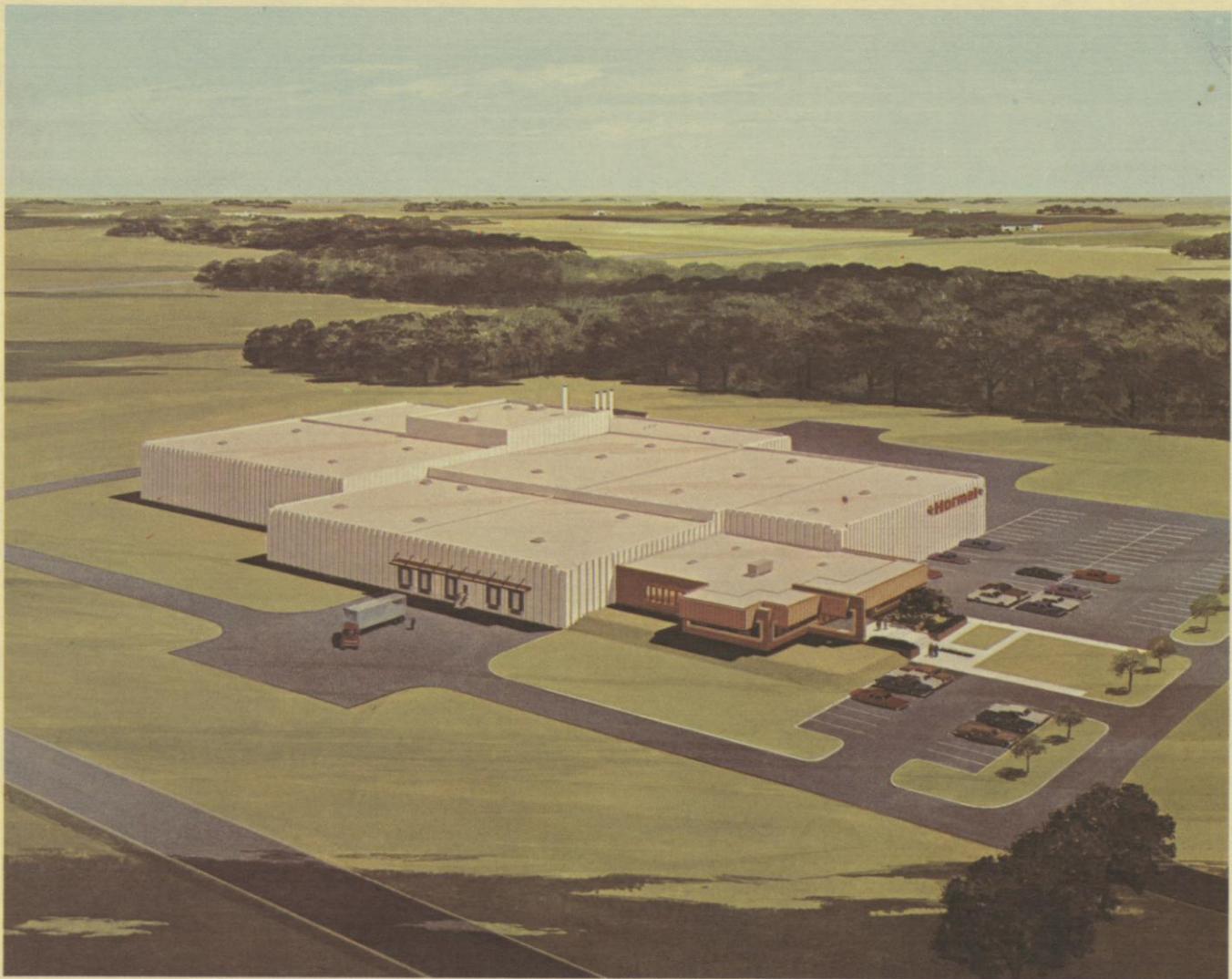
Environment and Energy

At manufacturing facilities throughout the United States, Hormel continued with a capital improvement program to meet its environmental and energy conservation objectives.

Expenditures for air/water/solid waste pollution control are placing Hormel plants in compliance with present air and water pollution control regulations. Energy Conservation Committees, established at Hormel plants in 1974, expanded the Company's program to reduce the use of all forms of energy in plants, offices and motor vehicles.



Expanded cooler space now available in Fremont.



An artist's rendition of the Knoxville, Iowa, dry sausage manufacturing plant.

New Dry Sausage Plant

Construction of a new dry sausage manufacturing plant in Knoxville, Iowa, is expected to begin in early 1976. The 110,000 square foot plant will be capable of producing any or all of the 45 dry sausage products now manufactured by Hormel.

In addition to the production operations, the plant layout will include custom-built processing ovens, packaging area, cooler and freezer space and dry storage areas for holding of incoming and outgoing materials.

With the completion of this new facility in late 1976, the Hormel Company will have dry sausage manufacturing operations at four locations - Austin, Minn., Algona, Fort Dodge and Knoxville, Iowa.

Future Growth

These major capital commitments are part of the Hormel Company's program to plan and manage its capital investments on a consistent, year-to-year basis. Culminating earlier planning, this broad expansion of physical resources reinforces current progress and will open doors to greater future growth.

LOCATION OF HO



● Slaughtering Plants

○ Custom Slaughtering Plants

● Dry Sausage Plants

★ Grocery Products Plants

□ Food Service Plants

○ Frozen Foods Plant

◆ Gelatin Desserts Plant

○ Distribution Plants

★ Corporate Offices

ARMEL PLANTS



* Research & Development Building

✿ Grocery Products Regional Sales Offices

△ Grocery Products District Sales Offices

✓ Food Service District Sales Offices

■ Meat Products District Sales Offices

★ Industrial Products Area Sales Offices

□ Casings Plant

◆ Pollution Control Area Sales Offices

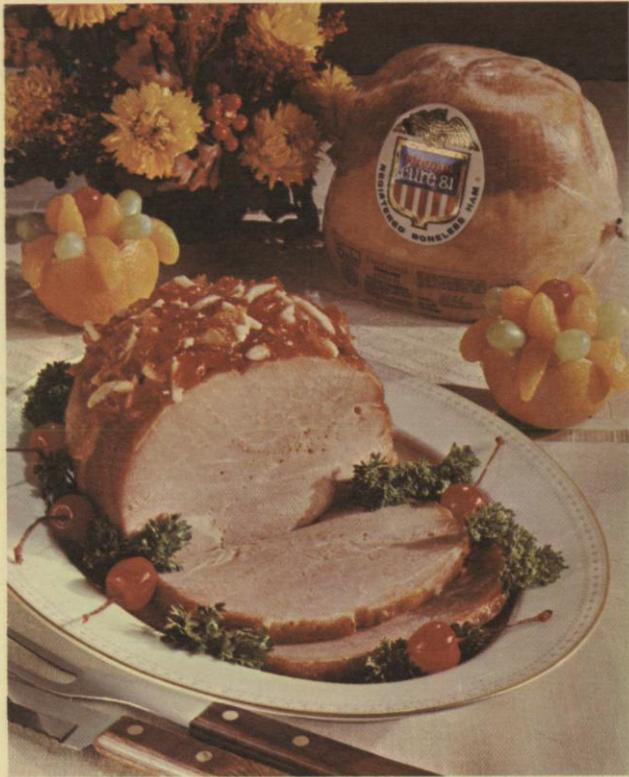
Hormel is continually mindful of the preferences of the American consumer.

Whether it be a young lady deliberating over the purchase of a boneless ham, a man appraising the leanness of sliced bacon, or a retired couple weighing the cost of a canned meat product, these are the people that Hormel and its retail customers must ultimately please.

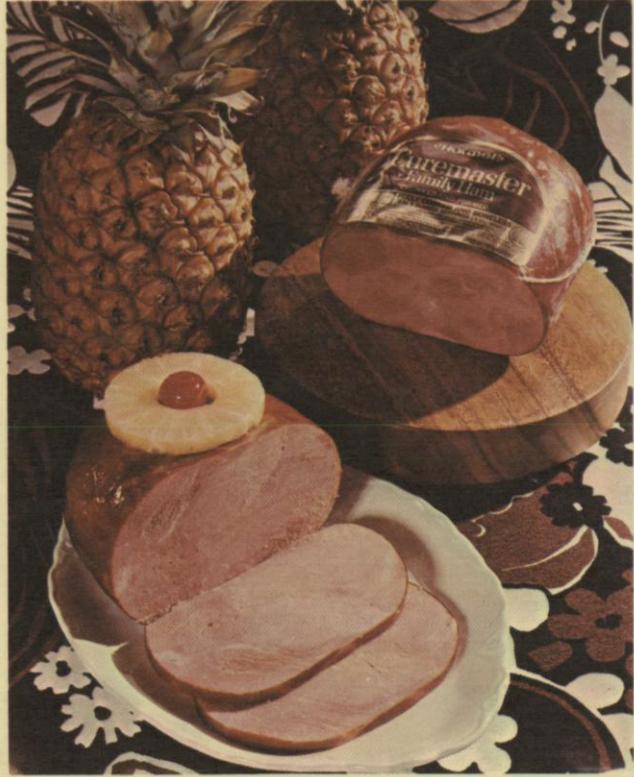
The introduction of new products, the movement into regional or national distribution of newly-introduced products, the development of colorful new label designs, and imaginative marketing programs - all described in the pages to follow - exemplify the Company's efforts to win the approval of both the American retailer and the busy homemaker.

Filling a Nation's Needs

Shelves stacked with Hormel products are a familiar sight in thousands of supermarkets and stores. Over 750 different food items attest to the diversity of the Company's manufacturing operations.



Cure/81 Ham.



Curemaster Family Ham.

Merchandising Programs

Processed meats represent a significant portion of the Company's total business. In 1975, consumer acceptance of several key processed meat items showed continued growth; due, in part, to the Company's aggressive promotional and merchandising programs.

Major emphasis was directed towards the expansion of the Cure/81 and Curemaster Family brands and the strengthening of Range Brand Wranglers and Smoked Sausage No-Link, two newer additions to the Hormel family of processed meats.

New network television commercials recently developed for Cure/81 and Curemaster demonstrate the dependable value and economical food ideas both products have to offer. Cure/81, a ham which is individually registered for quality, has attained a reputation which consumers know and trust for value. The Curemaster, guaranteed to be 96 per cent lean meat, has become increasingly popular because of its one-meal size with no left overs.



Range Brand Wranglers.

New 30-second TV advertisements for Range Brand Wranglers and Smoked Sausage No-Link provide consumers with ideas for preparing varied and nutritious meals. Their introduction has been well received by consumers. Expansion of both of these products into newer test markets will continue in fiscal 1976.



Smoked Sausage No-Link.



Perma Fresh Luncheon Meats.

Improvements in quality, flavor and variety contributed to the increase in sales and distribution of Perma Fresh luncheon meats during the year. Presliced and vacuum-packed in convenient 6 oz., 8 oz., and 1 pound sizes, consumers find these handy-sized packages economical and useful for school or home lunches, picnics and smorgasbord platters.

Serving the Delicatessens

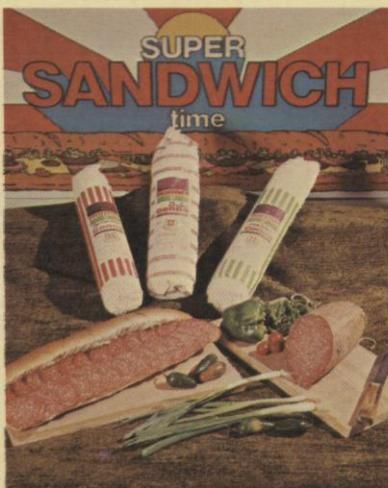
Last year's Annual Report briefly described the return to "old-time" delicatessen sections in many new and many existing supermarkets.

There are several reasons for the service deli boom. Consumers feel that the delicatessen assures them of a well-prepared, fresh and flavorful product. They also like being able to purchase desired amounts. They consider deli foods to be of superior quality and more appetizing than pre-sliced foods. Finally, consumers like the warm personal contact that is missing in self-service operations. . .the convenience of being waited upon. . .of being able to ask the attendant for advice.

Hormel has been quick to respond to this growing interest in the service deli. A full line of ready-to-serve sausage, cooked ham and specialty items is marketed in traditional old fashioned styles and shapes.

New items introduced last year include five loaf products - Olive, Deluxe, Old Fashioned, Dutch and Barbecue - each weighing about 6½ lbs., and vacuum-sealed to insure peak freshness and flavor. Cervelat, Thuringer and Beef Summer Sausage, generally referred to as "fresh-out-of-smoke" products, are also enjoying a surge in popularity at deli operations. Over 50 items, in loaf, link, or bulk form for slicing, are now sold to service delicatessens.

Delicatessens, although still more prevalent on the East Coast, are spreading rapidly to other parts of the country. Hormel, with a product line and complete promotional program, is taking advantage of the opportunity to further develop this huge market.



"Super Sandwich Time" is Hormel "deli" promotion.

Throughout the year, these processed meats, and bacon and wieners as well, were promoted in a host of newspapers and other print media. The advertising offered housewives timely food values in providing nutritious family meals in an era of rising prices.

This advertising helped to sell products which, in turn, helped the Company produce more efficiently.



Over 50 items now sold to "deli" operations.



Hormel Pepperoni.

Pepperoni Sales "Up"

Pepperoni, a hot flavored dry sausage product, enjoyed still another year of solid improvement. Although popular on an anti-pasto platter and as a flavorful snack, the overriding factor in the continuing success of this product has been its growth as an ingredient in pizzas.

Hormel offers pizzerias and manufacturers of frozen, ready-to-serve pizzas many varieties from which to choose. Pepperoni Slicers, in stick form, allow pizzerias to slice and/or dice the product to their own specifications. Canned Pepperoni, pre-sliced in 3½ pound cans, insures the pizzeria of maximum convenience and guarantees portion control.

Hormel Pepperoni is also attractively and conveniently packaged in double-link, chunk or pre-sliced form for sale at the retail level. Recognizing these many growth opportunities, Hormel will continue to produce several different Pepperoni items which cater to a wide variety of uses and local preferences.

Short Orders



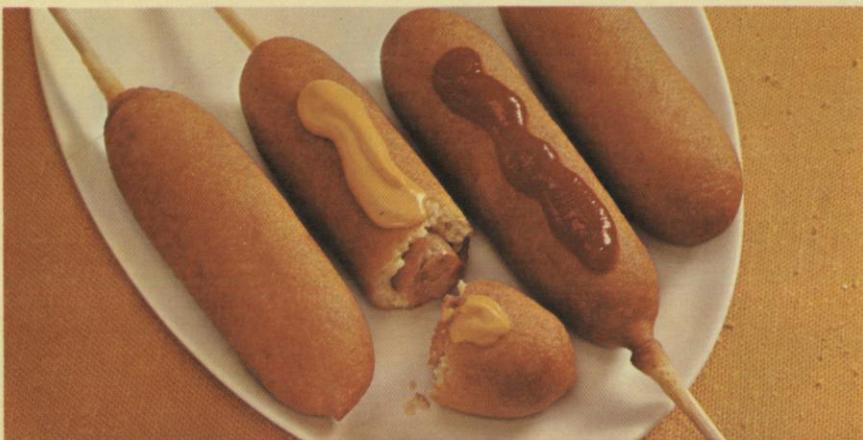
Six items added to "Short Orders" product line.

Short Orders

The line of single portion canned entrees, introduced at the retail level in mid-1974, was expanded last year to include an additional six items. This brings to 24 the number of convenient, ready-to-serve varieties now marketed nationally.

The newest offerings are Chili No Beans, Sloppy Joes, Beef Tamales, Spaghetti & Meat Balls, Lasagna, and Spaghetti 'n Beef.

The "Short Orders" line, marketed in 7½ oz. cans, meet identified consumer needs and desires for menu variety and thrifty single serving sizes.



Hormel Corn Dogs.

Hormel Corn Dogs

A delicious new variety of a traditionally popular product was introduced in 1975. Hormel Corn Dogs, a batter wrapped wiener on a stick, has won consumer acceptance because of its versatility and convenience.

Sold in refrigerated meat cases alongside prepackaged meats or in frozen food cases with pot pies or frozen dinners, Hormel Corn Dogs are a quick, different and popular way for consumers to serve wieners. The distinctive package design has taste and eye appeal for greater consumer impact.

This new product continues to increase in popularity and its distribution will be expanded during fiscal 1976.



Corned Beef 'n Cabbage.

New Frozen Foods

Responding to growth opportunities, the Hormel Company introduced into test market three new frozen food products. Corned Beef 'n Cabbage, Char Beef Steaks and Char Beef Patties are recent additions to the Company's growing line of frozen foods. Dinty Moore Beef Stew and Hormel Lasagna were introduced in 1974.

Corned Beef 'n Cabbage, always a popular item, and chopped, formed and char broiled steaks and patties, are manufactured to meet changing and growing demands in the marketplace. These product additions will help strengthen the Company's position in the frozen food line.



New Hormel Chili label.

New Label Designs

The entire Hormel Chili group and Hormel Vienna Sausage underwent significant label changes during the year.

All varieties and sizes of Hormel Chili cans were redesigned. Each can, with its bold red and yellow labels and appetizing food scenes, now bears a "family" resemblance. For maximum appeal, the Vienna Sausage label has a distinctively new type style and new product illustration. This label improvement will help insure better identification of product on supermarket shelves.



Vienna Sausage.

Industrial Products



Corned Beef 'n Hash patties marketed by the Food Service Division.



Chopped Sirloin Steak.



New vending product.

Over the years, the diverse applications for Hormel industrial products has resulted from a high level of product innovation. Bakers, brewers, confectioners and other food manufacturers buy products from Hormel which are used as ingredients in their own products.

Hormel continues to find means of diverting meat proteins and by-products through the production of beef and meat stock, which is utilized in the preparation of soups, sauces and gravy mixes. Also, during the past year, Hormel contracted with a major manufacturer of heparin to supply the industrial product needed to produce this life-saving drug. Heparin, used to prevent blood clots, is in great demand because of new techniques in kidney dialysis and in open heart surgery.

The sale of private brand gelatin desserts and puddings continues to grow. Iced tea mix and hot cocoa mix have been added to this line.

Serving the Consumer

Hormel has always been consumer-oriented but, in recent years, greater attention has been given to providing meaningful information concerning Company products and their content, value and use.

By the end of next year, it is expected that the majority of the Company's products will carry the Universal Product Code symbol identification. Retailers will benefit through increased efficiency and cost savings and the consumer will save time at the checkout lines.

Hormel is keenly aware of its responsibility to live up to the trust of the American consumer.

Vending, Frozen Entrees

The Food Service Division continues to develop a broad variety of products for the rapidly growing markets which represent "away-from-home" eating. As a nation, more and more meals are eaten away from the home...in-plant cafeterias...in-school lunch rooms...quick-service "carry-outs"...and in name restaurants, motels and hotel dining rooms.

New products were added to meet the specialized needs of these food service outlets. Liver 'n Onions with Gravy and White Beans 'n Ham were added to the frozen entree line. Hormel now markets 40 of these items for mass feeding outlets.

Au Gratin Potatoes with Bacon was added to the Company's line of hot food vending products. Twenty-three of these single portion, 7½ oz. products, are marketed to vending and mobile catering operators.

International operations of Geo. A. Hormel & Company are pursued through its international subsidiary, Hormel International Corporation.

Hormel International seeks to establish a position of leadership in promising markets in selected countries of the world. This objective is being accomplished with products manufactured and sold abroad and products manufactured in this country but exported to markets outside the United States.



First Enterprise Corporation — Okinawa.



Manufacturing operations in Okinawa.

International Operations

Consistent improvement characterized Hormel International results in 1975. Extension of distribution, expansion of plant facilities and introduction of new products contributed to the Company's international growth.

Far East Growth

Sales and earnings for The First Enterprise Corporation in Okinawa, in which Hormel has a financial interest, continued to show steady improvement in fiscal 1975.

Strengthened with new equipment and facilities and improved production capacity, The First Enterprise Corporation will introduce several new products during the coming year, including Hormel Pork Luncheon Meat, Chicken Loaf, Corned Beef, Hot Dog Sausage, and others. First Enterprise Corporation will be exporting Hormel products to Tokyo and other major cities of mainland Japan during 1976.



Hormel in the Philippines.

Sales Gain in Philippines

Sales of Hormel products in the Philippine Islands, notably Hormel All-Meat Wieners, Gold Label Bacon, Hormel Vienna Sausage, and SPAM Luncheon Meat, introduced in June, have had dramatic increases during the past fiscal year.

As a result of such strong consumer acceptance, Pure Foods Corporation, manufacturers of Hormel products in the Philippines, introduced a variety of other meat items in late 1975 and early 1976. New products included Hormel Chili, Mary Kitchen Corned Beef Hash, Hormel Ham, Bologna, Liver Sausage, and a line of Hormel meat spreads - SPAM Spread, Liver Pate and Hormel Potted Meat Product.

These Hormel products are produced in the Marikina and in the new Cebu plants of Pure Foods Corporation. The Cebu plant is one of the most modern meat plants in the Philippines and throughout the Pacific.

Significant sales increases of Hormel products in the Philippines have been projected for the coming year by the Pure Foods Corporation.



Vista International Packaging, Inc., Kenosha, Wis.

Activities in the Pacific

Australia continues to be a fast growing market for Hormel. During the past year, a new meat processing and canning plant was completed in Blayney, New South Wales. This new facility will make it possible for Hormel Cerebos Pty. Ltd. to exert a stronger effort in the Pacific area. Increased distribution of SPAM Luncheon Meat, hams and other processed and canned meats is expected.

Additional developments in the Austral-Asian market are being explored to extend the Company's international business in this area.

Export Operations

Export operations benefited in 1975 from increased world demand for the Company's line of canned and packaged meat products, gelatin desserts and by-products. Lloyds Trading Corporation, a subsidiary of Hormel International, continues to export and market selected products, using appropriate recipe variations and foreign language labels.

Natural, Artificial Casings

Vista International Packaging, Inc., a subsidiary of Hormel International, is a distributor of sausage casings. Vista International offers a broad line of European manufactured casings to the processed meat industry which includes both natural, collagen, fibrous and cellulose casings.

Located in Kenosha, Wis., Vista International recently moved into a newly-constructed facility. Specialized services such as cutting, tying and printing of casings are handled in this new structure, along with the administrative, purchasing, sales and distribution functions.

Officers and Directors

I. J. Holton, Austin
President

***Raymond J. Asp**, Austin
Group Vice President
Prepared Foods Group

***Lee D. Housewright, Jr.**, Austin
Group Vice President
Meat Products Group

***Richard L. Knowlton**, Austin
Group Vice President
Operations Group

***E. C. Alsaker**, Austin
Vice President & Treasurer

***Bruce Corey**, Austin
Vice President
Engineering & Planning

John R. Furman, Austin
Vice President
Dry Sausage Division

N. D. Gahagen, Austin
Vice President
Distribution Plants & Route Car Sales

***Robert M. Gill**, Austin
Vice President
Personnel & Industrial Relations

Clayton T. Kingston, Austin
Vice President
Pork Operations

***Robert F. Potach**, Austin
Vice President & Controller

James A. Silbaugh, Austin
Vice President
Grocery Products Division

Donald S. Sorenson, Austin
Vice President
Beef Operations

***Director**

Charles D. Nyberg, Austin
Secretary & Director of Public Relations

Don J. Hodapp, Austin
Assistant Controller
Data Processing

Richard W. Schlaege, Austin
Assistant Controller
Accounting

Walter B. Stevens, Austin
Assistant Treasurer
Finance

Robert J. Thatcher, Austin
Assistant Treasurer
Taxes

***Elmer L. Andersen**, St. Paul, Minn.
Chairman
H. B. Fuller Company

***Herrell F. DeGraff**, Brooktondale, New York
Agricultural Economist
Former President
American Meat Institute

***Donald R. Grangaard**, Minneapolis, Minn.
President & Chief Executive Officer
First Bank System, Inc.

***Geri M. Joseph**, Minneapolis, Minn.
Contributing Editor
Minneapolis Tribune

Maintenance and repair costs increased \$1,555,000 between 1975 and 1974, a result of increased labor and supply costs, plus maintenance of additional plant facilities. The same was true for 1974 compared to 1973 when labor costs increased 12% and repair supplies 10%.

Additions to property, plant, and equipment totaled \$20,630,000 in 1975. Over \$85 million has been spent on capital investments during the past six years. Approximately \$14,500,000 will be required to complete a slaughtering and processing plant in Ottumwa, Iowa; a processing plant in Knoxville, Iowa; and additions to other Company plants. This has resulted in increased depreciation each year.

The difference in amortization of intangible assets in 1975 compared to 1974 results principally from the write-off in 1974 of D'Amores Company which was acquired in 1973. The 1974 increase over 1973 was the amortization of D'Amores covenant not to compete and other intangibles.

Real estate and personal property taxes increased in 1975 over 1974 due to capital improvements at several plant locations.

Payroll taxes have increased in 1975 and 1974 because of increased FICA rates and the higher cost of salaries and labor.

Expenditures for advertising in 1974 returned to a more normal relationship to sales dollars than in 1973 when advertising expenses were reduced on those products where special ceiling price regulations on meat eliminated opportunities for profit.

The new addition to the process and product development building in Austin was completed in 1974. That more than doubled the size of the prior Research building which required additional staffing in 1975. The result has been increased R&D expenditures in each of the last two years.

COMMON STOCK DATA

1975

1974

Fiscal Quarter	Cash Dividends Paid	Market Price Range	Cash Dividends Paid	Market Price Range
First Quarter	\$.23	\$15 3/8-17	\$.21	\$15 1/2-20 1/4
Second Quarter	.23	15 3/4-17 1/4	.21	18 5/8-20 1/2
Third Quarter	.23	16 1/8-17	.21	15 1/4-19
Fourth Quarter	.23	15 3/8-16 3/8	.21	15 3/8-17 3/8

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

The increase in net sales for 1975 compared to 1974 resulted primarily from the pass-through of higher livestock costs. Sales tonnage declined in 1975 compared to 1974 due to reduced availability of pork raw material. Increased sales in 1974 of branded products and slightly higher prices resulted in a 14% increase in sales over 1973. Sales tonnage for 1974 was 11% greater than the 1973 tonnage.

Significantly more livestock purchased in 1974 at slightly lower costs than 1973, when added to increased costs of supplies and production costs, resulted in an 11% overall increase in costs of goods for 1974 compared to 1973.

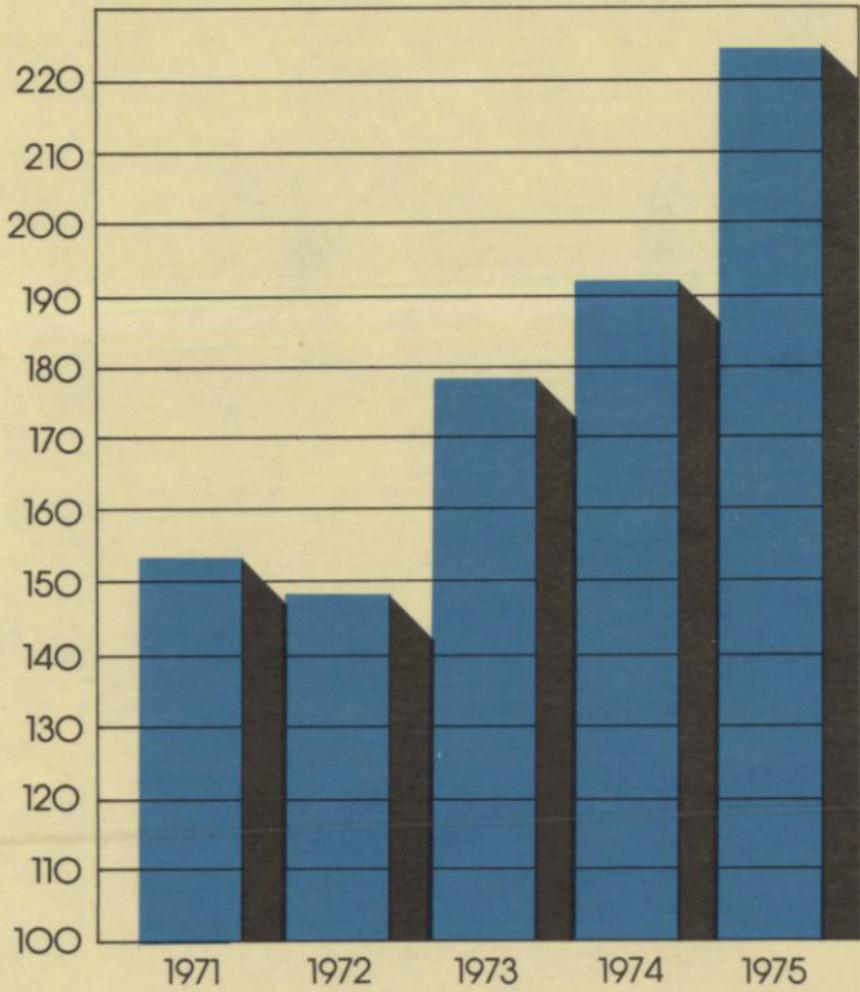
Interest costs in 1975 were lower than 1974 because of reduced interest rates on a lower level of borrowing attained, in part, through an improved inventory control program. The reverse was true in 1974 versus 1973 when we had record borrowing at record prime interest rates.

Income taxes in 1975 were less than 1974 corresponding with decreased pretax earnings. Investment tax credit of \$1,045,000 in 1975, applied on the flow-through method, contributed to the reduction in the effective tax rate of 3.6%. Income taxes in 1974 increased over 1973 as profits increased.

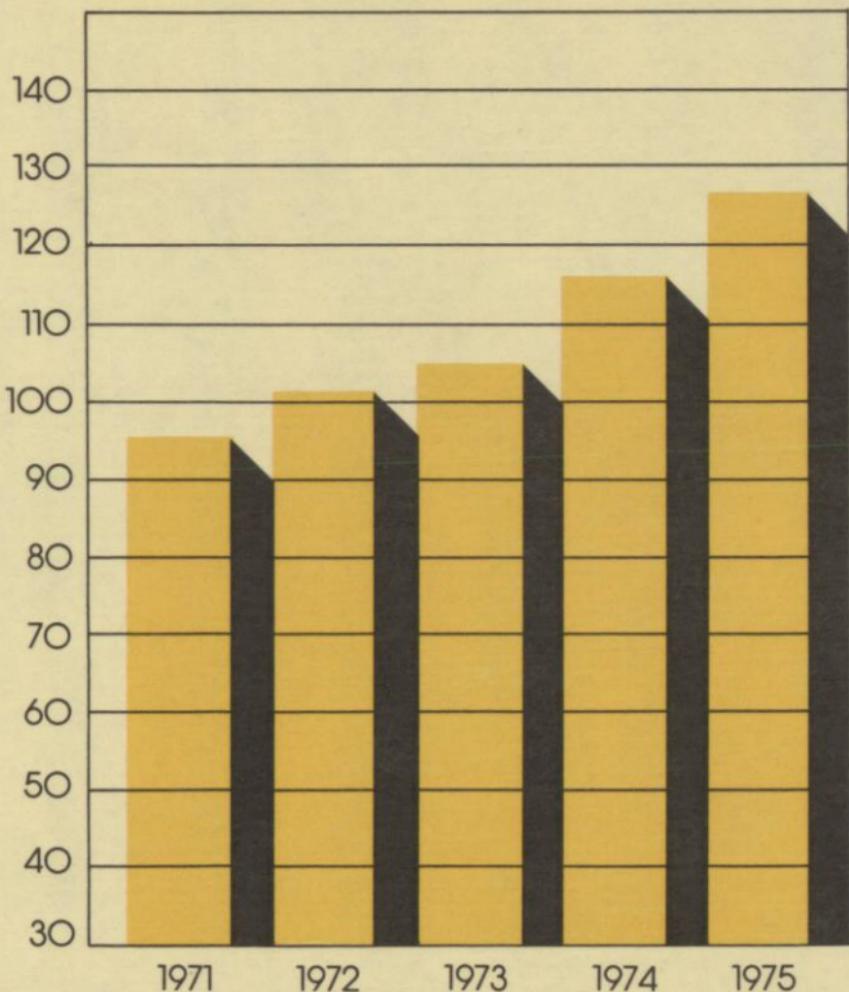
Reduced earnings in 1975 were attributable principally to the sharp reduction in availability of live hogs, which made it necessary for most, but not all, of our facilities to be operated at considerably less than optimum levels.

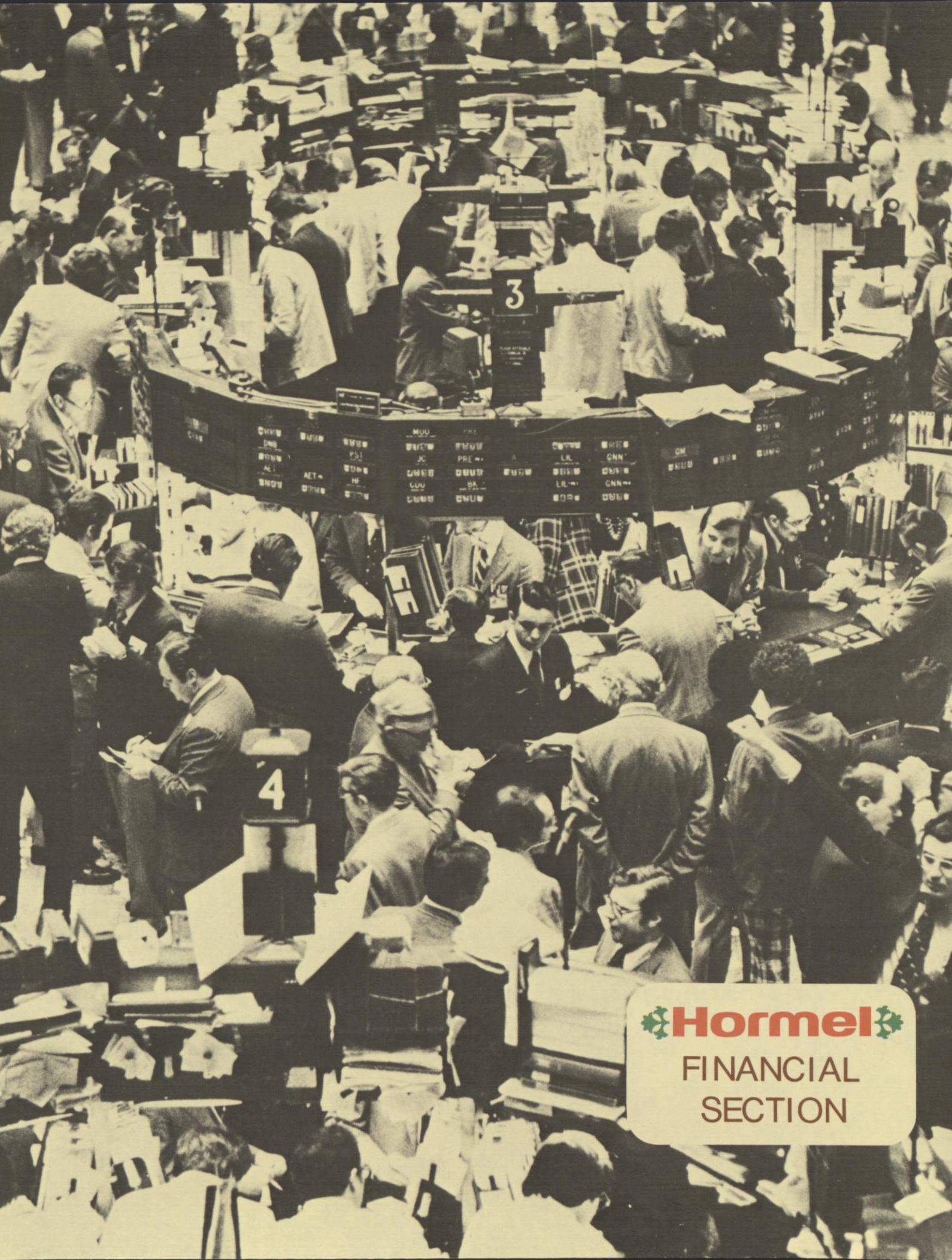
The 1974 increase in earnings over 1973 was attributed to improved supplies of livestock; aggressive marketing of the Company's processed, branded products; an increasing contribution from the capital investment program over the last five years; a return to more stable labor relations than those which prevailed during much of the previous fiscal year; and the general effect of inflated dollars.

TOTAL ASSETS
(Millions of Dollars)



STOCKHOLDERS' INVESTMENT
(Millions of Dollars)





 **Hormel** 

FINANCIAL
SECTION

Ten Year Review

(In thousands of dollars)

OPERATIONS	1975	1974	1973
Net Sales	\$995,593	\$943,163	\$825,671
Net Earnings	13,366	17,369	7,403
Per Cent of Sales.....	1.34%	1.84%	.90%
Wage Costs	167,049	151,052	129,419
Total Taxes	13,102	18,094	8,717
Depreciation	9,140	7,667	7,125
FINANCIAL POSITION			
Working Capital.....	\$ 64,350	\$ 48,659	\$ 34,256
Properties (net)	85,398	74,392	67,481
Total Assets	224,488	193,696	179,950
Stockholders' Investment.....	126,879	117,932	104,654
PER SHARE OF COMMON STOCK*			
Net Earnings	\$ 2.78	\$ 3.62	\$ 1.54
Dividends92	.84	.81
Stockholders' Investment.....	26.42	24.55	21.77

*Adjusted for Stock Split.

**53 Weeks

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

1972	1971	1970**	1969	1968	1967	1966
\$719,755	\$686,487	\$695,768	\$626,017	\$585,879	\$548,819	\$491,733
7,788	16,664	9,933	9,236	9,134	8,658	3,511
1.08%	2.43%	1.43%	1.48%	1.56%	1.58%	.71%
129,277	127,775	116,921	104,325	98,519	91,409	78,399
9,431	19,053	12,648	12,260	11,833	9,633	4,774
6,417	5,435	4,918	3,830	3,578	3,417	3,198
<hr/>						
\$ 39,275	\$ 43,646	\$ 37,818	\$ 39,339	\$ 40,497	\$ 37,707	\$ 33,489
60,178	51,841	45,683	38,767	32,211	29,164	28,293
149,468	153,144	129,416	115,788	108,484	104,898	86,096
101,187	96,175	83,081	76,480	70,220	63,407	57,188
<hr/>						
\$ 1.63	\$ 3.50	\$ 2.09	\$ 1.94	\$ 1.92	\$ 1.82	\$.74
.78	.75	.70	.625	.4875	.5125	.35
21.04	20.20	17.45	16.07	14.75	13.32	12.01

Statement of Consolidated Financial Position

	October 25, 1975	October 26, 1974
ASSETS		
CURRENT ASSETS		
Cash	\$ 18,386,542	\$ 15,062,359
Accounts receivable, less allowance of 1975 — \$207,500; 1974 — \$182,500	51,898,818	44,316,840
Inventories of products, livestock, packages and supplies — Note B	65,431,633	55,915,827
Prepaid insurance and other expenses	322,267	1,067,764
TOTAL CURRENT ASSETS	136,039,260	116,362,790
INVESTMENTS AND OTHER ASSETS	3,051,220	2,941,504
PROPERTY, PLANT AND EQUIPMENT — on the basis of cost		
Land	2,144,086	2,040,550
Buildings	50,840,999	49,490,782
Equipment	81,121,969	73,367,614
Construction in progress — Note G	15,447,914	7,698,785
Allowance for depreciation (deduction)	(64,157,337)	(58,205,999)
	85,397,631	74,391,732
	\$224,488,111	\$193,696,026

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

LIABILITIES AND STOCKHOLDERS' INVESTMENT	October 25, 1975	October 26, 1974
CURRENT LIABILITIES		
Notes payable	\$ 5,911,916	\$ 1,266,000
Accounts payable and accrued expenses.....	62,224,967	56,807,330
Dividend payable November 15.....	1,104,749	1,008,684
Federal income taxes.....	2,447,649	8,622,174
TOTAL CURRENT LIABILITIES	71,689,281	67,704,188
LONG-TERM DEBT — Note C.....	25,920,000	8,060,000
STOCKHOLDERS' INVESTMENT		
Preferred Stock, par value \$100 a share; authorized — 50,000 shares; issued — none		
Common Stock, par value \$1.875 a share; authorized — 6,000,000 shares; issued — 4,808,258 shares, including shares in treasury.....	9,015,484	9,015,484
Additional paid-in capital.....	2,852,002	2,852,002
Earnings reinvested in business.....	115,111,344	106,164,352
Treasury stock — 5,000 shares, at cost.....	(100,000)	(100,000)
	126,878,830	117,931,838
	<u>\$224,488,111</u>	<u>\$193,696,026</u>

See notes to consolidated financial statements.

Statement of Changes in Consolidated Stockholders' Investment

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Common Stock	Additional Paid-In Capital	Earnings Reinvested in Business	Treasury Stock
Balance at October 27, 1973....	\$9,015,484	\$2,852,002	\$ 92,829,366	(\$ 42,980)
Acquisition of 2,851 shares....				(57,020)
Net earnings for the year.....			17,368,568	
Cash dividends — \$.84 a share..			(4,033,582)	
Balance at October 26, 1974....	9,015,484	2,852,002	106,164,352	(100,000)
Net earnings for the year.....			13,365,989	
Cash dividends — \$.92 a share..			(4,418,997)	
Balance at October 25, 1975....	<u>\$9,015,484</u>	<u>\$2,852,002</u>	<u>\$115,111,344</u>	<u>(\$100,000)</u>

See notes to consolidated financial statements.

Statement of Consolidated Earnings

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Fiscal Year Ended	
	October 25, 1975	October 26, 1974
Sales, less returns and allowances.....	<u>\$995,592,507</u>	\$943,162,738
Interest and other income	<u>698,108</u>	289,963
	<u>996,290,615</u>	943,452,701
Costs and expenses:		
Cost of products sold.....	<u>880,588,550</u>	819,261,696
Selling and delivery expenses.....	<u>75,676,215</u>	73,012,376
Administrative and general expenses	<u>13,019,326</u>	12,982,402
Interest	<u>3,074,535</u>	4,952,659
	<u>972,358,626</u>	910,209,133
EARNINGS BEFORE INCOME TAXES	<u>23,931,989</u>	33,243,568
Provision for income taxes — Note E.....	<u>10,566,000</u>	15,875,000
NET EARNINGS (Per share 1975—\$2.78; 1974—\$3.62)	<u>\$ 13,365,989</u>	<u>\$ 17,368,568</u>

See notes to consolidated financial statements.

Statement of Changes in Consolidated Financial Position

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

	Fiscal Year Ended	
	October 25, 1975	October 26, 1974
Working capital at beginning of year.....	\$ 48,658,602	\$ 34,255,910
Additions:		
From operations:		
Net earnings for the year.....	13,365,989	17,368,568
Provision for depreciation.....	9,140,327	7,667,082
	<hr/> 22,506,316	<hr/> 25,035,650
Proceeds from long-term debt.....	25,000,000	8,060,000
Carrying value of disposals of property, plant and equipment.....	483,436	204,973
	<hr/> 47,989,752	<hr/> 33,300,623
Deductions:		
Payments and maturities of long-term debt....	7,140,000	—
Additions to property, plant and equipment ...	20,629,662	14,782,401
Cash dividends on Common Stock.....	4,418,997	4,033,582
Purchase of treasury stock	—	57,020
Increase in investments and other assets.....	109,716	24,928
	<hr/> 32,298,375	<hr/> 18,897,931
Increase in working capital.....	15,691,377	14,402,692
Working capital at end of year.....	<hr/> \$ 64,349,979	<hr/> \$ 48,658,602
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash	\$ 3,324,183	\$ 50,519
Accounts receivable.....	7,581,978	2,511,464
Inventories	9,515,806	3,707,476
Prepaid expenses	(745,497)	540,980
	<hr/> 19,676,470	<hr/> 6,810,439
Increase (decrease) in current liabilities:		
Notes payable	4,645,916	(19,757,883)
Accounts payable and accrued expenses....	5,417,637	7,303,995
Dividend payable	96,065	35,444
Federal income taxes	(6,174,525)	4,826,191
	<hr/> 3,985,093	<hr/> (7,592,253)
Increase in working capital.....	<hr/> \$ 15,691,377	<hr/> \$ 14,402,692

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

October 25, 1975 and October 26, 1974

Note A — ACCOUNTING POLICIES

Principles of Consolidation — The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. All significant intercompany accounts, transactions, and profits have been eliminated in consolidation. Investments in foreign companies (the Company's investment does not exceed 50% in any foreign operating company) are included in the financial statements at the Company's equity therein. Exchange adjustments (immaterial in amount in each year) are included in income as they occur. The excess of the cost of acquisitions over the Company's equity in net assets acquired is not material in amount and is being amortized over periods of ten to forty years.

Inventories — Inventories are valued at the lower of cost or replacement market. Livestock and the materials portion of products are determined by the first-in, first-out method. Inventorable expenses, packages and supplies are determined by the last-in, first-out method.

Depreciation, Maintenance and Repairs — Depreciation of property, plant and equipment is provided principally by accelerated methods approximating the double-declining balance method. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful life of the assets are capitalized.

Pension Plans — The Company has several pension plans covering substantially all of its employees. The Company's policy is to fund pension costs accrued which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans.

Income Taxes — Provision is made for income taxes payable. No provision is made for deferred income taxes as there are no material timing differences between financial and taxable income. The investment tax credit has been used to reduce the income tax provision (flow-through method).

Earnings Per Share — Earnings per share of Common Stock are based on the weighted average number of shares outstanding.

Note B — INVENTORIES AND CHANGE IN ACCOUNTING METHOD

Inventory costs aggregating \$50,955,000 at October 25, 1975, were determined by the first-in, first-out method. The remaining inventory costs were determined by the last-in, first-out method as described in the following paragraph.

Notes to Consolidated Financial Statements (CONTINUED)

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

During the fourth quarter of fiscal 1975, the Company adopted the last-in, first-out method of inventory valuation for packages, supplies and for the labor and overhead portions of products. Prior to the change, these inventories had been valued on the first-in, first-out method. This change was made to recognize the impact of inflation on these inventories and thereby more effectively match current costs with current revenues for both financial and income tax reporting purposes. The effect of the change was to reduce these inventories by approximately \$1,422,000 and net income by approximately \$710,000 (\$.15 per share). There is no cumulative effect of the change on prior years since the October 26, 1974, inventory of packages and supplies as previously reported is the opening inventory under the last-in, first-out method.

Note C — LONG-TERM DEBT

Long-term debt consists of:

	October 25, 1975	October 26, 1974
9% notes	<u>\$ 25,000,000</u>	\$ —
Term loan with bank, interest at 3/4 % over prime rate payable June 28, 1978.....	—	4,000,000
Revolving credit agreement.....	—	3,100,000
Capitalized lease	<u>920,000</u>	960,000
TOTAL	<u>\$ 25,920,000</u>	\$ 8,060,000

The 9% notes are due in 1985 and contain certain provisions and restrictions relating to limitations on liens, sales and lease-back arrangements, and funded debt.

During 1975 the Revolving Credit Agreement was cancelled, and the term loan with the bank was repaid from the proceeds of the 9% notes.

Note D — PENSION PLANS

Contributions to the Company's pension plans for 1975 and 1974 were \$10,511,800 and \$8,863,000, respectively. The actuarially computed value of vested benefits for all plans as of October 26, 1974, the most recent valuation date, exceeded the total of the pension fund assets at October 25, 1975, by approximately \$41,530,000.

Amendments to the Company's pension plan required under the Employee Retirement Income Security Act of 1974 are not expected to have a significant impact on Company income.

Notes to Consolidated Financial Statements (CONTINUED)

GEO. A. HORMEL & COMPANY AND SUBSIDIARIES

Note E — INCOME TAXES

The reasons for the difference between the provision for federal income taxes used for financial reporting purposes and the amount determined by applying the statutory federal income tax rate were as follows:

	Fiscal Year Ended	
	October 25, 1975	October 26, 1974
48% of pre-tax earnings	\$ 11,487,000	\$ 15,957,000
Plus state and local income taxes, net of federal tax benefit.....	449,000	656,000
Other items (deduction).....	(325,000)	299,000
	<u>11,611,000</u>	<u>16,912,000</u>
Less investment credit.....	1,045,000	1,037,000
Provision for federal income taxes.....	<u>\$ 10,566,000</u>	<u>\$ 15,875,000</u>
Effective rate	<u>44.2%</u>	<u>47.8%</u>

Note F — LEASES

Rental expense and future lease commitments are not material.

Note G — CONSTRUCTION IN PROGRESS

Construction in progress at October 25, 1975, will cost approximately \$14,500,000 to complete a slaughtering-processing plant in Ottumwa, Iowa, a dry-sausage plant in Knoxville, Iowa, and various additions and modifications to other plants.

Accountants' Report

ERNST & ERNST

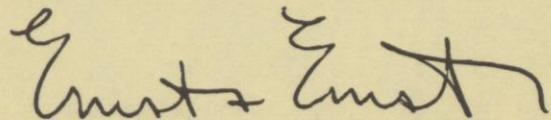
FIRST NATIONAL BANK BLDG.

MINNEAPOLIS, MINN. 55402

To the Stockholders and
Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the statement of consolidated financial position of Geo. A. Hormel & Company and subsidiaries as of October 25, 1975, and October 26, 1974, and the related statements of consolidated earnings, changes in stockholders' investment and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Geo. A. Hormel & Company and subsidiaries at October 25, 1975, and October 26, 1974, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the method of determining certain inventory costs as described in Note B to the financial statements.



Minneapolis, Minnesota
November 19, 1975

Common Stock

Listed Midwest Stock Exchange
Traded American Stock Exchange
(Trading Symbol: HRL)

Auditor

Ernst & Ernst
1800 First National Bank Building
120 South Sixth Street
Minneapolis, Minnesota 55402

Transfer Agent

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

Registrar

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Stockholder Inquiries

Communications concerning transfer requirements and lost certificates should be directed to the Transfer Agent. Communications concerning dividends and change of address should be directed to Geo. A. Hormel & Company, %Corporate Secretary, Box 800, Austin, Minnesota 55912.

Notice of Annual Meeting

The Annual Meeting of the Company's stockholders will be held on Tuesday, January 27, 1976, in the Austin High School Auditorium, Austin, Minnesota. The meeting will convene at 8 p.m.

A formal notice of the meeting, together with Proxy Statement and Proxy, will be mailed to stockholders of record. All stockholders are cordially invited to attend.

Form 10-K Annual Report

A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended October 25, 1975, will be provided to stockholders upon written request to the Corporate Secretary, Geo. A. Hormel & Company, Box 800, Austin, Minnesota 55912.

